



A STUDY ON RATIO ANALYSIS OF BRITANNIA INDUSTRIES LIMITED

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ABSTRACT

The Financial Statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements, and a study of the trend of these factors as shown in a series of statements. This project report covers all the aspects relating to the Profitability ratios of Britannia industries Ltd interpreted according to standards. Britannia was incorporated in 1918 as Britannia Biscuits Co LTD in Calcutta. In 1924, Pea Frean UK acquired a controlling stake, which later passed on to the Associated Biscuits International (ABI) and UK based company. The company is engaged in the manufacture of biscuits, Rusks, cookies and cakes. Britannia operates in a single segment, foods including bakery products such as biscuits, bread, cakes, Rusk, and dairy products. The company is headquarter in Kolkata, India and employs 2,358 people Global Markets Direct, the leading business information provider, presents an in-depth business, strategic and financial analysis of Britannia Industries Ltd.

Introduction

Finance is a field that deals with dynamics of assets and liabilities under conditions of different degree of uncertainty and risk. Finance defined as the science of money management. Finance assets based on the risk level and their expected rate of return. Finance is very essential for smooth running of the business. It has been rightly termed as universal lubricant that keeps the firm dynamic business.

whether big, medium or small can be stated without an adequate amount of finance. Even an existing firm may require further finance for making improvement or expanding the business. Finance has thus become an integral part of the firm.

Financial Management

Financial Management is mainly concerned with corporate finance or business finance. The process of financial management involves procuring and use of fund by a business firm with appropriate planning and effective controlling of the firm financial resource. Financial management is nothing but managerial decision making on acquiring of adequate finance capital mix and profitable allocation with a firm.

Ratio Analysis

Ratio analysis is one of the most powerful tool of analysis and interpretation of financial statement. A ratio is simply one number expressed in terms of another. It may be defined as “The relationship between two accounting figures expressed mathematically is called ratio” to be more specific the term ratio is used to describe the significant relationship, which exist between figures shown in a balance sheet and profit and loss account of the organization.

Importance of ratio analysis

- ❖ Aid in forecasting and planning
- ❖ Facilitate decision making
- ❖ Act as a good communication tool
- ❖ Evaluation of efficiency
- ❖ Detection of unfavorable factors

Steps in ratio analysis

- ❖ Selection of relevant information
- ❖ Comparison of calculated ratios
- ❖ Interpretation and reporting

Advantages of ratio analysis

- ❖ Forecasting
- ❖ Managerial control
- ❖ Facilitates communication
- ❖ Measuring efficiency
- ❖ Facilitating investment decision

Limitations of ratio analysis

- ❖ Practical knowledge
- ❖ Ratios are means
- ❖ Inter relationship
- ❖ Non-availability of standards or norms
- ❖ Accuracy of financial information

Practical knowledge

The analysis should have through knowledge and experience about the firm and industry.

Ratios Meaning

Ratios are not an end in themselves but they are mean to achieve a particular or end.

Inter relationship

Ratios are inter-related and therefore a single ratio cannot convey any meaning. It has to be interpreted with reference to other related ratios meaningful conclusion.

Non-availability of standards or norms

Ratios will be meaningful if they can be compared with standards and norms expect for a few financial ratios, other ratios lack standards which are universally recognized.

Types of ratios

- ❖ Current ratio
- ❖ Quick ratio
- ❖ Current assets to fixed assets
- ❖ Current assets to proprietor fund ratio
- ❖ Net profit ratio

Current ratio

Current ratio establishes the relationship between current assets and current liabilities. It attempts to measure and ability of a firm to meet is current obligations.

The ideal current ratio 2:1. It indicates that the current assets double the current liabilities, is considered to be satisfactory.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Quick Ratio

The Quick Ratio also known as liquid ratio or Acid Test Ratio or near case ratio. This ratio is concerned with the establishment of relationship between the liquid assets and quick liabilities.

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Quick Liabilities}}$$

Quick Assets= Current Assets – Inventories and prepaid expenses.

Current liabilities represent those liabilities that are payable within a year.

Current Assets to Fixed Assets

A company current asset are only one part of its total assets. The ratio between current assets and fixed assets is known as the current assets to fixed assets ratio.

$$\text{Current assets to fixed assets} = \frac{\text{Fixed Assets}}{\text{Current Assets}}$$

Current Assets to Proprietor Fund Ratio

Current Assets to proprietor fund ratio show the relationship between current assts and shareholders funds. The purpose of this ratio is to calculate the percentage of the shareholders funds invested in current assets.

$$\text{Current Assets to proprietor fund} = \frac{\text{Current Assets}}{\text{Shareholders Fund}}$$

This ratio can be expressed in percentage or as a proportion. Different industries have different norms and hence the ratio should be carefully studied. Fixed assets to proprietor fund ratio should be studied for a meaningful analysis.

Gross profit ratio

Gross profit ratio is a profitability measure that is calculated as the ratio of gross topic to net sales and their sources how much profit the company generates after deleting its cost of revenues.

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

Operating profit ratio

Operating profit ratio indicates the operational efficiency of a firm and is a measure of the firm's ability to cover the total operation expenses. It also represents the amount of profit earned for each rupee of sales after dividing the net sales to net operating profit. The operation profit means profit before interest and tax.

$$\text{Operation Profit Ratio} = \frac{\text{Operation Ratio}}{\text{Net Sales}} \times 100$$

Net profit ratio

Net profit is obtained when operating expenses, interest and taxes are subtracted from the gross profit. The net profit margin is measured by dividing profit after tax or net profit by sales. This shows relationship between net profits and sales.

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

Statement of the problem

Accounting ratios are not totally dependable and they must be used after giving due to general economic conditions, industry situation, position of firms within the industry, mode of operations, size of the firms, diversity of product which can make the business inter prices completely dissimilar and thus effect the computation of accounting ratio, the different concepts ratio. Inflation may limit the utility of accounting ratios. No research is completed until it has formulated a specific problem. The problem of the study is to analysis financial status of the company.

Objectives of the study

- ❖ To analyze the financial performance of the Britannia industries limited.
- ❖ To assess the operating efficiency of the business.
- ❖ To find out the profitability of the business.

Scope of the study

- ❖ The scope of the study covers the financial performance of the Britannia Industries.
- ❖ Financial performance covers some of the aspects like liquidity, activity, and profitability of ‘Britannia industries limited’. Finally, the study carried out to evaluate the ratios in financial statement of the Britannia industries limited

Research Methodology

The study is based on secondary data that has been collected from the financial statements of Britannia industries limited. The research study covers five years from 2018-2019 to 2022-2023. The data is analyzed and interpreted with the of ratio analysis where as the theoretical concept is taken from various text book reference reference on financial management. The researcher has used the various ratios to present and analysis data. These are:

- ❖ Current ratio
- ❖ Quick ratio
- ❖ Current asset to fixed assets ratio
- ❖ Current assets to proprietors fund
- ❖ Gross profit ratio

- ❖ Operation profit ratio
- ❖ Net profit ratio

Limitations of the Study

- ❖ The study covers only Britannia industries limited
- ❖ The study analysis only the ratio in the industries
- ❖ The study only considered 5 years from 2018-2019 to 2022-2023
- ❖ The data were collected only secondary in nature.

Review of Literature

Toshiyuki Sueyoshi (2005) Financial ratio analysis of the electric power industry. This approach compares 147 no default firms with 24 default firms of us power\ energy market in terms of the financial performance and this is a type of non- parametric discriminant analysis which provides the weights of linear discriminant function.

Edward I. Altman (2011) Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. This study used to analyze the performance of the business enterprise by using ratio analysis as the analytical technique.

Daniel A. Moses Joshunar (2014) The study has been conducted to identify the financial strength and weakness of the selected companies using past years financial statements. Trend analysis and ratio analysis used to comment of financial status of company. Financial performance of company is satisfactory and also suggested to increase the la levels of the company for the better performance.

Kumar Rakesh Rasiklalajani & Bhatt Satyaki j (2017) The proposed research is intended to examine the trend and pattern of financing the capital structure of Indian companies. The study is to analyze the determinants of total debts ratio as well as determinants of short term and long terms ratio.

Rachhh Minaxi (2022) The ratio analysis involves dig out information which is useful to take decision. It is the process of appraise the relationship between different variables of the ratio analysis to get heathier understanding of firm's performance. The ratio is a simple comparison of numerator and a denominator that cannot produce complete and authentic picture of company.

Company Profile

Indian Biscuits Industry

Indian Biscuits Industry gained vital place in the national baker during the end of the 20th century, this was the time when urban people was ready in to take readymade food. Earlier days, biscuits were for people who were ill, but recent days it is one of the liked fast foods. Its popularity has grown

because it can be carried easily and offered a wide variety of taste. India is also one of the leading producers of biscuits in the world along with the US and China.

Britannia Industries Ltd

Britannia Industries Limited is an Indian food-products corporation based in Kolkata. The company was established in the year 1892, with an investment of Rs.295. In earlier stage, the company was manufactured biscuits in a small house in central Kolkata. Later, the enterprise was acquired by the Gupta brothers mainly Nalin Chandra Gupta, renowned attorney, and operated under the name of “V.S. Brothers”. In 1918, C.H. Holmes, an English businessman in Kolkata, was taken on as a partner and the Britannia Biscuit Company Limited was launched. In 1924 the Mumbai factory setup and peek Franz UK acquired a controlling interest of the Britannia Biscuit Company Limited.

Data Analysis and Interpretation

Table No. 1

Current ratio

S.No	Years	Current Assets	Current Liabilities	Ratio
1	2018-2019	2767.52	1366.03	2.02
2	2019-2020	3070.27	1582.36	1.94
3	2020-2021	3205.15	2215.06	1.44
4	2021-2022	4014.93	3327.76	1.20
5	2022-2023	3593.06	3849.47	0.93

Source: Secondary Data

Interpretation

The above table shows that current ratio during 2018-2019 to 2022-2023. This ratio shows the relationship between current asset current liabilities of the minimum ratio is 0.93 in 2022-2023. The ratio is fluctuating in nature. The changes are very little in each year.

Table No.2

Quick ratio

S.No	Year	Quick Assets	Quick Liabilities	Ratio
1	2018-2019	2767.52	1366.03	2.02
2	2019-2020	3070.27	1582.36	1.94

3	2020-2021	3205.15	2215.06	1.44
4	2021-2022	4014.93	3327.76	1.20
5	2022-2023	3593.06	3849.47	0.93

Source: Secondary Data

Interpretation

The above table shows that quick ratio during 2018-2019 to 2022-2023. This ratio shows the relationship between quick asset and quick liabilities of the maximum ratio is 2.02 in 2018-2019 and minimum ratio is 0.93 in 2022-2023. The ratio is fluctuating in nature. The changes are very little in each year.

Table No. 3
Current Asset to Fixed Assets Ratio

S.No	Year	Fixed Assets	Current Assets	Ratio
1	2018-2019	1231.55	2767.52	0.45
2	2019-2020	1392.51	370.27	0.45
3	2020-2021	1499.45	3025.15	0.47
4	2021-2022	1515.5	414.93	0.38
5	2022-2023	1912.7	3593.06	0.53

Source: Secondary Data

Interpretation

The table described the relationship between the fixed assets and current assets of 2018-2019 to 2022-2023. In the year 2022-2023 the ratio was 0.53 and the year 2020-2022 ratio is increased to 0.37 to 0.46. The ratio of current assets to fixed assets in increases and it is satisfactory.

Table No. 4
Current Assets to Proprietary Fund Ratio

S.No	Year	Current Asset	Share holder Funds	Percentage
1	2018-2019	2767.52	3235.28	0.9
2	2019-2020	3070.27	4039.45	0.8
3	2020-2021	3205.15	4274.65	0.7
4	2021-2022	4014.93	3319.53	1.2

5	2022-2023	3593.06	7402.54	1.5
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Source: Secondary Data

Interpretation

The current assets to shareholder funds ratio was a increasing trend from 1.4 time in 2022-2023 to 0.7 times in 2020-2022. The main reason for the declined trend was the addition of shareholder funds. The ratio was 1.4 times in last 2022-2023 due to low proportion in increase in current asset and low proportion of decrease in proprietors funds.

Table No. 5
Gross Profit Ratio

S.No	Year	Gross Profit	Sales	Ratio
1	2018-2019	1564.96	9304.06	0.17
2	2019-2020	1851.11	10482.45	0.18
3	2020-2021	2059.95	10986.68	0.19
4	2021-2022	2546.21	12378.83	0.21
5	2022-2023	2315.13	13371.62	0.17

Source: Secondary data

Interpretation

The gross profit ratio reaches the satisfactory level after the years it does not fulfil the satisfactory level.

Table No. 6
Operating Profit ratio

S.No	Years	Operating Profit	Sales	Ratio
1	2018-2019	1566.41	9304.06	0.17
2	2019-2020	1852.65	10482.45	0.18
3	2019-2020	2125.12	10986.68	0.19
4	2020-2021	2644.02	12378.83	0.21
5	2021-2022	2448.59	13371.62	0.18

Source: Secondary Data

Interpretation

The table shows that the operating profit ratio for the study period 2017-2018 to 2021-2022. This ratio shows the relationship between operating profit and sales in terms of percentage. The table shows the maximum ratio is 0.21 during 2020-2021 and the minimum ratio is 0.17 during the year 2017-2018.

Table No. 7
Net Profit Ratio

S.No	Year	Net Profit	Sales	Ratio
1	2018-2019	947.89	9304.06	0.10
2	2019-2020	1122.2	10482.45	0.11
3	2020-2021	1484.3	10986.68	0.14
4	2021-2022	1760.03	12378.83	0.14
5	2022-2023	1603.19	13371.62	0.12

Source: Secondary Data

Interpretation

The table shows that the net profit ratio during 2017-2018 to 2021-2022. This ratio shows that relationship between net profit and sales of the maximum ratio is 0.14 in 2020-2021 and minimum ratio is 0.10 in 2017-2018.

Findings

- The current ratio has been increased 2.02, 1.94 for the year 2018-2019 and 2019-2020. But it was decreased 0.9 for the last year 2022-2023.
- The quick ratio has been increased 2.02, 1.94 for the year 2018-2019 and 2019-2020. But it was decreased 0.9 for the last year 2022-2023.
- The current asset to fixed asset was increased for the year 2018-2019 and 2020-2021. But it amount was decreased 0.37 in the year 2022-2023.
- The current asset to proprietary fund was increase 1.4 in the year 2022-2023. The ratio position has been effective.
- The operating profit ratio reaches the satisfactory level after the years it does not fulfil the satisfactory level.
- The net profit was decreased 12% in the year 2022-2023. The net profit was not satisfactory position.

Suggestions

Based on the inference of analysis of the study, some suggestions are offered to Britannia industries limited in the order remove the drawback and to get improvement in the financial performance of the company in future.

The Britannia industries should have increase its current assets than its current liabilities to make positive. The limited should have decreased its cash ratio by paying through the profit which is being made.

Conclusion

Britannia-the ‘biscuit’ leader with a history has withstood the tests of time. Part of the resource for its success has been its ability to resource with the changes in consumer needs that have varied significantly across 100th year epoch. With consumer democracy reaching new levels, the one common thread to emerge in recent times has been the shift in lifestyles and a corresponding awareness of health. The project is entitled on “RATIO ANALYSIS OF BRITANNIAINDUISTRIES LIMITED”. Almost are has been taken at all levels of the project work, right from the beginning of analysis accounting information provided by project and loss account and balance sheet. The study highlights that the financial performance of Britannia industries ltd is satisfactory. This study helped to know the financial strength and weakness of the limited.

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